

Message Text

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ACTION SS-30

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 4799

C O N F I D E N T I A L BRASILIA 5705

EXDIS

E. O. 11652: GDS

TAGS: ETRD, BR

SUBJECT: COUNTERVAILING DUTIES

REF: BRASILIA 5623

1. FRANCISCO DORNELLES OF THE FINANCE MINISTRY CALLED FINANCIAL ATTACHE ON TUESDAY, JULY 30, TO CONFIRM THAT, BASED ON A REPORT RECEIVED FROM THE BRAZILIAN EMBASSY IN WASHINGTON, THE RESULTS OF THE SAMPLE OF THE 12 SHOE FIRMS HAD BEEN DELIVERED TO THE TREASURY DEPARTMENT LAST WEEK. DORNELLES THEN WENT ON TO EXPRESS HIS DISAPPOINTMENT ABOUT THE FACT THAT THE REPORT QUOTES PETER SUCHMAN OF TREASURY AS SAYING THAT A COUNTERVAILING DUTY ANNOUNCEMENT ON BRAZIL MAY HAVE TO AWAIT FURTHER INVESTIGATION OF THE COMPLAINTS AGAINST OTHER COUNTRIES (I.E., ARGENTINA AND SPAIN). HE SAID THAT, INsofar AS THE MINISTRY OF FINANCE WAS CONCERNED, IT WAS BETTER TO MAKE THE ANNOUNCEMENT SOONER RATHER THAN LATER, IF THE DUTY WAS TO BE SET IN ACCORDANCE WITH THE BRAZILIAN DATA. HE BELIEVED THAT THE DELAY WOULD INFLICT FURTHER HARDSHIP ON SHOE EXPORTERS. THE FINANCIAL ATTACHE NOTED BRIEFLY SOME OF THE BACKGROUND AND REASONS BEHIND SUCHMAN'S COMMENT. DORNELLES CALLED BACK A SECOND TIME, AFTER HAVING TALKED ABOUT THIS MATTER DIRECTLY WITH FINANCE MINISTER SIMONSEN. HE SAID THAT SIMONSEN HAD ASKED HIM TO CONVEY TO THE AMBASSADOR HIS CLEAR PREFERENCE FOR AN EARLY ANNOUNCEMENT SINCE SHOE EXPORTERS WERE COMPLAINING THAT THEY WERE HAVING DIFFICULTIES SIGNING NEW CONTRACTS, CONFIDENTIAL

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PENDING A DECISION ON COUNTERVAILING DUTY.

2. LAST EVENING I RAISED WITH FOREIGN MINISTER SILVEIRA SIMONSEN'S MESSAGE TO ME, SAYING THAT I EXPECTED THAT SUCH A PROCEDURE WOULD BE FINE WITH US. I CONTINUED THAT BECAUSE OF THE APPARENT IMPORTANCE TO THE GOB IN THE PAST OF THE SO-CALLED "SINGLING OUT OF BRAZIL," I WANTED TO BE PERFECTLY SURE, HOWEVER, THAT THAT ALLEGATION, NEVER JUSTIFIABLE, IN THE BRAZILIAN "POLITICAL" CASE, WOULD NOW BE DROPPED. I EXPLAINED THAT I KNEW CONSIDERATION WAS BEING GIVEN IN WASHINGTON TO THE POSSIBILITY OF TIMING THE DECISION ON BRAZILIAN SHOES SO AS TO PERMIT A RELATIONSHIP WITH DECISIONS ON OTHER CASES. I SAID THAT, SINCE I DID NOT KNOW ALL THE FACTORS INVOLVED, I COULD NOT PREDICT HOW THE STUDY WOULD COME OUT BUT I KNEW THAT IT HAD BEEN PROMPTED BY A DESIRE TO TAKE INTO ACCOUNT BRAZILIAN SENSITIVITIES ABOUT BEING "PICKED ON."

3. SILVEIRA CONFIRMED THAT THE FOREIGN MINISTRY HAD RECEIVED A MESSAGE OF THE KIND DESCRIBED BY SIMONSEN FROM THE EMBASSY IN WASHINGTON LAST WEEK. THE MESSAGE WAS BASED, HE SAID, ON A CONVERSATION BETWEEN THE EMBASSY AND THE "NEW MAN" IN TREASURY. HE ADDED WARMLY THAT, AS SOON AS HE READ THE MESSAGE, HE SAW IN IT AN EFFORT BY SECRETARY KISSINGER TO RESPOND TO THE "SINGLING OUT" ASPECT IN HIS LETTER, FOR WHICH HE WAS GRATEFUL.

4. ON THE SUBSTANCE OF THE MATTER, SILVEIRA SAID THAT HE DID NOT AGREE WITH SIMONSEN BECAUSE IT WAS IMPORTANT TO THE BROAD POLITICAL RELATIONS BETWEEN THE TWO COUNTRIES THAT EVEN THE APPEARANCE OF DISCRIMINATION AGAINST BRAZIL BE AVOIDED. HE STATED THAT IT WAS FOR THIS REASON THAT HE HAD STRESSED THE POINT IN HIS LETTER TO THE SECRETARY. HE NOTED THAT HE HAD DISCUSSED THE "SINGLING OUT" ASPECT WITH PRESIDENT GEISEL, WHO HAD AGREED ON ITS IMPORTANCE. EXPRESSING THE HOPE THAT IT WOULD BE POSSIBLE TO INCLUDE OTHER COUNTRIES WHEN THE DECISION WAS ANNOUNCED, HE SAID THAT THE BRAZILIAN SHOE EXPORTERS WOULD JUST HAVE TO WAIT A LITTLE LONGER. HE CONCLUDED WITH THE STATEMENT THAT HE WOULD HAVE TO TALK WITH SIMONSEN THIS MORNING, JULY 31.

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5. COMMENT: THE OUTCOME OF THIS FURTHER MANIFESTATION OF DIFFERENCES IN FUNDAMENTAL APPROACH BETWEEN THE "PRACTICAL" SIDE AND THE "POLITICAL" SIDE OF THE GOB WILL PROBABLY BE, I BELIEVE, THE PREDOMINANCE OF SILVEIRA'S POINT OF VIEW, PARTICULARLY SINCE THE PRESIDENT, ACCORDING TO SILVERIA, SHARES HIS OPINION ABOUT THE IMPORTANCE OF THE "SINGLING OUT" POINT. BECAUSE OF HIS INVOLVEMENT OF THE PRESIDENT, SILVEIRA MAY FIND IT AWKWARD TO GIVE WAY TO THE

PRACTICAL ARGUMENT OF SIMONSEN. MUCH WILL DEPEND ON THE
SERIOUSNESS OF THE SITUATION OF THE SHOE EXPORTERS. (IT
SHOULD BE BORNE IN MIND IN ANY EVENT THAT SIMONSEN'S
DESIRE TO GET THE MATTER OVER AND DONE WITH IS BASED ON
THE ASSUMPTION THAT THE BRAZILIAN DATA WILL BE ACCEPTED.)
WE WILL REPORT ANY FURTHER INFORMATION ON THE RESOLUTION
OF THE SIMONSEN-SILVERIA DIFFERENCES. MEANSHILE, I THINK
IT PRUDENT TO CONTINUE TO ADDRESS THE POSSIBILITY OF
SETTING UP A SERIES OF SIMULTANEOUS DECISIONS COVERING
THE OUTSTANDING CASES.
CRIMMINS

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